

STATE OF NEW YORK
DEPARTMENT OF TAXATION AND FINANCE

BOARD OF CONFERES - CORPORATION TAX BUREAU

In the Matter of the Applications of

SARAH COVENTRY, INC.

for revision or refund of franchise
taxes under Article 9A of the Tax Law
for the fiscal years ended March 31,
1961 and 1962.

Hearing Case No. 3019

The tax for the fiscal year ended March 31, 1961 was audited and
stated on December 29, 1961. Form CT-3 for the fiscal year ended March 31,
1962 was filed on July 16, 1962. Time application for revision or refund
was filed on December 27, 1963.

The taxpayer computed and paid the following taxes:

	<u>3/31/61</u>	<u>3/31/62</u>
Entire Net Income	\$1,397,455.61	\$312,315.61
Tax at 5½%	76,860.06	17,177.36

Since the taxpayer was claiming a business allocation for the
first time, the file was sent to our Rochester office for field audit.

The field audit report (attached to CT-3 for fiscal year ended
March 31, 1964) indicates that the taxpayer is engaged in the sale of costume
jewelry throughout the United States through home demonstration parties.
The entire country is divided into sales districts with regional managers,
branch managers and area managers who trained, supervised and assisted
independent contractors.

The sales managers operate from sales offices maintained by the tax-
payer throughout the United States. These offices constitute permanent or
continuous places of business under the statute and qualify the taxpayer
to a business allocation.

This Board is in agreement with the findings of the field audit and
recommends that the corrected taxes as set forth in the report be approved
by the Tax Commission. \$21,690.62 of the reduction in tax of \$44,453.84 is
attributable to a carryback of net operating loss sustained for year ended
March 31, 1964.

	<u>3/31/61</u>	<u>3/31/62</u>
Entire Net Income	\$336,700.00	\$312,315.00
Business allocation	70.42%	36.75%
New York Base	589,204.00	177,238.00
Tax at 5½%	32,406.22	9,748.09
Original Tax	76,860.06	17,177.36
Credit	\$ 44,453.84	\$ 7,429.27

/s/
Approved
E. A. DORAN

W. F. SULLIVAN

Chairman

D. H. GILHOOLY

Approved
JAMES R. MACDUFF

7/27/65

IRA J. PALESTIN

8/2/65

WFS:MB
7/23/65